

EXECUTIVE SUMMARY

In Section 4(c) of Session Law 2007-397 (Senate Bill 3), the North Carolina General Assembly required the Commission to

prepare an analysis of whether rate structures, policies, and measures, including decoupling, in place in other states and countries that promote a mix of generation involving renewable energy sources and demand reduction should be implemented in this State.

In preparing its analysis, the Commission not only reviewed available literature but also sought data and comments from electric power suppliers and other interested stakeholders. After reviewing initial recommendations regarding the scope of its analysis, the Commission identified a list of eighteen rate structures, policies, and measures for further consideration and sought (1) further comment from utilities and other stakeholders on whether the rate structures, policies, and measures should be implemented in North Carolina, and (2) specific information from utilities regarding the extent to which the rate structures, policies, and measures had already been implemented.

The Commission did not attempt to analyze every policy that might promote renewable energy or energy efficiency, perform an energy efficiency study, or identify potentially cost-effective demand-side management programs or energy efficiency measures that might or should be implemented by electric power suppliers. Rather, the Commission focused on those structures, policies, and measures, like decoupling, which are related to electric utility rates, either specific rate schedules or issues regarding rate design. The Commission notes that the General Assembly may wish to consider studying subjects outside of the purview of the Commission, such as tax policy and building codes, that would also impact the development of renewable energy or energy efficiency in North Carolina.

Decoupling

Decoupling is a ratemaking concept and regulatory tool designed to “break the link” between a utility’s revenues (or profits) and its sales, or energy consumption by its customers. It is intended to remove the disincentive that a utility would have to reduce sales (and profit) by promoting conservation, including the implementation of energy efficiency measures, and non-utility owned distributed generation.

Decoupling for electric utilities is very controversial, as evidenced by the disparity of views expressed to the Commission in preparing its analysis. In an